



The Committee on Energy and Commerce

Memorandum

March 19, 2013

To: Members of the Subcommittee on Commerce, Manufacturing, and Trade

From: Majority Committee Staff

Re: Hearing on "Our Nation of Builders: The Strength of Steel"

On Thursday, March 21, 2013, the Subcommittee on Commerce, Manufacturing, and Trade will convene a hearing at 9:30 a.m. in room 2123 of the Rayburn House Office Building entitled "Our Nation of Builders: The Strength of Steel." This is the second in a series of planned hearings examining the domestic manufacturing industry. Witnesses are by invitation only.

I. WITNESSES

Panel I

The Honorable Tim Murphy, Chairman
Congressional Steel Caucus

The Honorable Pete Visclosky, Vice-Chairman
Congressional Steel Caucus

Panel II

Joe Carrabba, President and CEO
Cliffs Natural Resources

John Ferriola, President and CEO
Nucor Corporation

Richard Harshman, Chairman, President,
and CEO
Allegheny Technologies, Inc.

Ed Kurasz, Executive Vice President
Allied Tube and Conduit

Mike Rehwinkel, President and CEO
EVRAZ North America

Mike Rippey, President and CEO
Arcelor Mittal USA

John Surma, CEO
United States Steel Corporation

Yvette Pena Lopes, Deputy Director
BlueGreen Alliance

II. SUMMARY

The United States is the world's largest manufacturing economy, producing 18.2 percent of global manufactured products.¹ According to the National Association of Manufacturers (NAM), the manufacturing sector supports nearly one in six jobs – jobs that, on average, pay over \$77,000 with benefits.² Nationwide, manufacturing employs nearly 12 million Americans.³

According to the American Iron and Steel Institute (AISI), the subset of steel manufacturing employs over 161,000 individuals in the U.S. at over 100 facilities.⁴ With its multiplier effect at seven, the industry employs over 1.1 million people domestically.⁵ The U.S. is the third largest producer of steel with 86.4 million metric tons produced in 2011 (behind Japan at 107.6 million and China at 683.9 million) but ranks 12th in steel exports at roughly 13 million metric tons, or 15 percent of production.⁶ While overall production is roughly the same as it was a half century ago,⁷ the industry directly employed more than a half million people at that time.⁸ The decrease in steel-related employment reflects rapid increases in productivity as well as declining demand due to the recession and rising imports.

III. BACKGROUND

Steel is a critical component of our daily lives. From cars and railroads to stainless steel appliances, buildings, and national defense, steel is an essential building block. Like most of the manufacturing industry, the steel industry experienced a rapid fall-off in employment but much of those losses occurred prior to the Great Recession. In 1963 the industry employed approximately 500,000 individuals, a number that fell to 100,000 in 2000. While that number has rebounded to 161,000, the vast majority of the jobs lost prior to 2000 are unlikely to be regained.

Increased Productivity

The chief reason for the fall in employment is the most rapid increase in productivity of all manufacturing industries.⁹ According to one study, while those employed directly by the industry shrank by four-fifths between 1963 and 2000, the industry's output only shrank by 15

¹ See National Association of Manufacturers, *Facts About Manufacturing* (visited Feb. 12, 2013) <<http://www.nam.org/Statistics-And-Data/Facts-About-Manufacturing/Landing.aspx>>.

² See *id.*

³ See Bureau of Labor Statistics, *Table B-1a. Employees on nonfarm payrolls by industry sector and selected industry detail, seasonally adjusted* (visited Feb. 12, 2013) <<http://www.bls.gov/web/empsit/cesebl1a.htm>>.

⁴ See American Iron and Steel Institute, *Profile 2013* at 6 (visited Mar. 18, 2013) <<http://www.steel.org/About%20AISI/~media/Files/AISI/Reports/2012-13%20Profile.pdf>>.

⁵ See *id.*

⁶ See World Steel Association, *World Steel in Figures 2012* at 25 (visited Mar. 18, 2013) <http://www.worldsteel.org/dms/internetDocumentList/bookshop/WSIF_2012/document/World%20Steel%20in%20Figures%202012.pdf>.

⁷ See U.S. Geological Survey, *Iron and Steel Statistics* (visited Mar. 18, 2013) <<http://minerals.usgs.gov/ds/2005/140/ironsteel.pdf>>.

⁸ See National Bureau of Economic Research, *Reallocation and Technology: Evidence from the U.S. Steel Industry* at 5 (January 2013) <http://www.nber.org/papers/w18739.pdf?new_window=1>.

⁹ See World Steel Association, *Employment Fact Sheet* (visited Mar. 18, 2013) <http://worldsteel.org/dms/internetDocumentList/fact-sheets/Fact-sheet_Employment/document/Fact%20sheet_Employment.pdf>.

percent.¹⁰ Since the 1980s alone, the steel industry in the U.S. increased its productivity five-fold, resulting in a drop from 10.1 man-hours to 2.1 man-hours per finished ton of steel.¹¹

Supply Outstripping Demand

As worldwide production has grown, demand has not kept pace even though it, too, has risen. The U.S. continues to consume more steel than it produces (89.1 million metric tons used in 2011 versus 86.4 million produced, 15 percent of which is exported) but because of surplus production worldwide,¹² imports have flooded into the U.S. AISI reports imports into the U.S. grew by 18 percent in 2012 over 2011,¹³ while consumption only increased by roughly 8 percent.¹⁴

Rising Imports

Additionally, the industry faces continuing challenges from low-cost imports. Imported steel is often heavily subsidized by the exporting countries in the forms of state sponsorship, export rebates, or currency manipulation. In 2002, the industry sought and won trade sanctions from the Bush Administration in the form of anti-dumping and countervailing duties ranging from 8 percent to 30 percent.¹⁵ Those sanctions were later reversed after a 2003 World Trade Organization (WTO) decision ruled those tariffs illegal and key trading partners threatened retaliatory duties on various U.S.-made products.¹⁶

In the wake of the WTO decision, companies have focused on the pursuit of individual product sanctions in the form of antidumping and countervailing duty orders; approximately 127 such steel product orders are currently active.¹⁷ In addition to the pursuit of these individual orders, the industry argues strong enforcement of current trade laws is essential to its health. Of particular importance are addressing currency manipulation and enforcement of existing antidumping and countervailing duty law. In addition, the industry seeks a legislative remedy to address the circumvention of existing antidumping and countervailing duty orders by misrepresentation of products or country of origin.¹⁸

¹⁰ See *supra* note 8.

¹¹ See American Iron and Steel Institute, *2013 Steel Industry Profile* (visited Mar. 18, 2013) <<http://www.steel.org/About%20AISI/Industry%20Profile.aspx>>.

¹² See *supra* note 6 at 15. Worldwide, the industry produced more than 1.52 billion metric tons of steel in 2011 but consumed only 1.37 billion metric tons, leading to an aggregate oversupply.

¹³ See American Iron and Steel Institute, *December Preliminary Steel Imports Decrease 14% vs. November* (visited Mar. 18, 2013) <<http://www.steel.org/~media/Files/AISI/Press%20Releases/2013/X-IMP1212.pdf>>.

¹⁴ Apparent steel demand in 2012 was 106 million tons versus 98 million tons in 2011. See *supra* note 4 at 6. Cf. American Iron and Steel Institute, *Profile 2012* at 6 (visited Mar. 18, 2013) <<http://www.steel.org/~media/Files/AISI/Reports/2012%20Profile%20F4-SDMIcrx-sm.pdf>>.

¹⁵ See *Bush imposes steel tariffs*, USA Today, Mar. 5, 2002 <<http://usatoday30.usatoday.com/money/general/2002/03/05/bush-steel.htm>>.

¹⁶ See Congressional Research Service, *Trade Remedies: A Primer* at 28 (Mar. 6, 2012) <http://www.crs.gov/pages/Reports.aspx?PRODCODE=RL32371&Source=search#_Toc319061989>.

¹⁷ See U.S. International Trade Commission, *Antidumping and Countervailing Duty Orders in Place as of February 20, 2013*, (visited Mar. 18, 2013) <http://www.usitc.gov/trade_remedy/documents/orders.xls>.

¹⁸ See Silvia Antoniolu, *INTERVIEW- US steel body sees 'concerning' imports surge in 2013*, Reuters (Feb. 22, 2013) <<http://www.reuters.com/article/2013/02/22/us-steel-imports-idUSL6N0BMDXD20130222>>. See also American Iron and Steel Institute, *2012 Public Policy Agenda* at 4 (February 2, 2012) <http://www.steel.org/Public%20Policy/~media/Files/AISI/Public%20Policy/Agenda/AISI2012PublicPolicyAgenda%20_%20Final%20020212.ashx>.

IV. Questions for Consideration

- What are the most important policy areas for Congress to address in order to remediate the external policy-related costs imposed on the steel manufacturing sector?
- What are the most important trade policies Congress must address to level the playing field, but without crossing the line into protectionism?
- What is industry's plan to address the perceived skills gap? Is there a role for Congress in addressing the gap?
- What is the outlook for foreign restrictions on exports of steel ingredients? How will that impact steel production in the U.S.?

Please contact Brian McCullough, Gib Mullan, or Shannon Taylor of the Committee staff at (202) 225-2927 with questions.